

FDIC State Profile

Spring 2006

Missouri

Missouri's expansion faltered in fourth quarter 2005, and its manufacturing sector continued to decline.

- Following four consecutive quarters of strong employment growth, Missouri lost nearly 1,000 jobs in the fourth quarter, led by losses in the manufacturing and government sectors. Year-over-year employment growth was only 1.0 percent, compared to a national rate of 1.4 percent (see Chart 1).
- Missouri's manufacturing sector continued to decline in 2005, shedding more than 4,000 jobs. As of fourth quarter 2005, the sector still had more than 73,000 fewer jobs than the peak level in second quarter 1998.
- The fourth quarter unemployment rate remained unchanged at 5.2 percent, the second lowest since the first quarter of 2002.

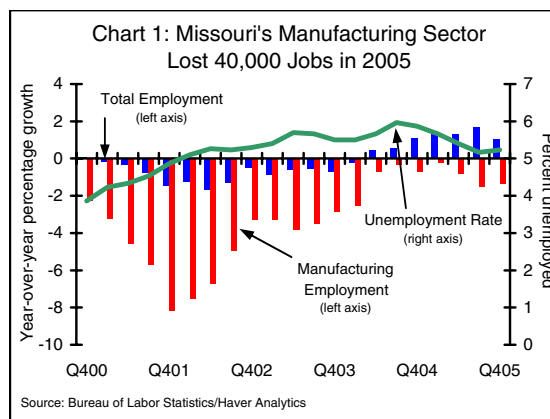


Table 1: Most Commodity Prices Are Expected to Decline in 2006

	2003	2004	Est. 2005	Forecast 2006	% of MO Ag Cash Receipts
Corn	2.32	2.42	2.06	1.90	13.5
Soybeans	5.53	7.34	5.74	5.50	20.3
Cattle	84.69	84.75	87.28	85.50	19.4
Hogs	39.45	52.51	50.05	43.50	10.7
Milk	12.52	16.05	15.15	13.45	5.1
Other					31.0

Note: Grain prices are for marketing year of each crop. Crop quantities are per bushel; livestock are per hundredweight.

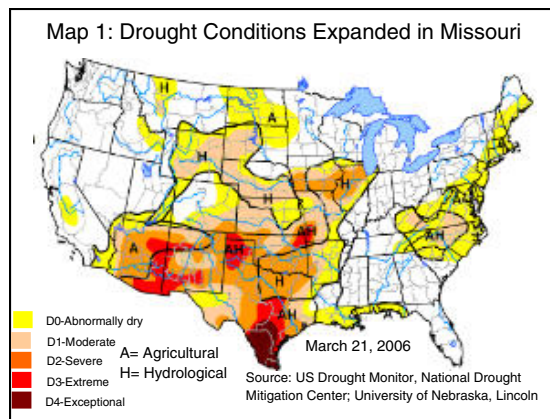
Source: USDA WASDE, February, 2006, USDA/ERS 2005

Missouri's farm income is expected to decline in 2006.

- The United States Department of Agriculture (USDA) has forecasted a 22 percent decline in national farm income from 2005 to 2006 due to lower livestock and crop values and increased energy costs. Missouri farmers can expect a similar decline in their farm income.
- Record U.S. corn harvests in 2004 and 2005 have led to record inventories, depressing the price in 2006 (see Table 1). Similarly, record national soybean harvests in 2004 and 2005 have lowered the price of that commodity.
- Livestock producers also face lower prices. Missouri hog producers are forecasted to face a 13 percent decline in prices in 2006, as production has increased in response to the record profits in that sector over the previous two years. Cattle prices are also expected to decline, as Missouri reported its largest population of cattle and calves since 1996.

Missouri Drought conditions worsened.

- After normal fall precipitation, drought conditions ranging from "abnormally dry" to "extreme" have re-emerged across nearly 75 percent of Missouri (see Map 1).
- An unusually dry, warm weather pattern over the winter months has led to water shortages in the southwest area



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of the state, prompting the Missouri Department of Natural Resources to place 12 counties under a drought conservation designation, the second worst advisory.

- Over the next six to twelve months, the Climate Prediction Center forecasts continued dry conditions across the southwest area of the state.

Energy prices for Missouri farmers are forecasted to rise again in 2006.

- According to the USDA, in February 2006 fertilizer and fuel costs were up 16 percent and 30 percent from one year earlier. Overall, fertilizer and fuel costs are forecasted to increase 9.7 percent nationally in 2006 (see Table 2).¹
- Rising costs for fertilizer and fuel are in part due to increased global fuel demand and the continued recovery from last year's active hurricane season; in the Gulf region, approximately 17 percent of normal natural gas production and 25 percent of oil production remain off-line.²
- Nationally, the USDA estimates that fuel and fertilizer costs accounted for 10.9 percent of total agricultural production costs in 2005, up 11 percent from 2004.

Insured institutions in Missouri continued to report strong earnings performance in 2005.

- Missouri's insured institutions reported a median annual return on assets ratio of 1.03 percent in 2005, unchanged from the prior year.
- The median annual net interest margin declined as funding costs increased more rapidly than earning asset yields (see Chart 2). The spread between loan yields and funding interest costs has narrowed two consecutive years and the spread between security yields and funding interest costs declined sharply in 2005.
- A sizeable shift in earning assets mix from securities to loans, which tend to be higher yielding than securities, offset some of the negative effects of narrowing yield-cost spreads. The median loan-to-assets ratio has surged from 68.5 percent in 2003 to a high 72.4 percent in 2005.

Missouri institutions reported sharp increases in construction and development loan (C&D) concentrations.

- Insured institutions, particularly those headquartered in the state's larger urban markets, reported strong growth in C&D lending in 2005, boosting C&D concentrations to new highs (see Chart 3). This growth mirrored strong

growth in Missouri's construction sector. This type of loan tends to have higher risk but also yields higher returns.

- Although Missouri's median C&D concentrations are typically higher than national figures, strong C&D loan growth has widened the gap recently. In 2005, national C&D concentration figures for metropolitan-based and micropolitan-based institutions were 61 percent and 28 percent, respectively.

Table 2: Higher Energy Costs Are Expected for Missouri Farmers in 2006

	Acres* (1,000)	Cost per acre** 2006 estimates		Cost per acre** 2000-2004 Avg.	
		Fuel	Fertilizer	Fuel	Fertilizer
Corn	3,100	41.94	58.25	24.26	42.47
Soybeans	5,000	13.52	10.25	8.49	7.69
Wheat	590	16.95	28.24	10.38	21.20

*Estimated 2005 Planted Acres. **Cost per acre for nation.
Source: USDA/NASS Crop Production, USDA/ERS Cost and Returns Data

Chart 2: Missouri Institutions' NIM Declined Slightly As Their Yield Spreads Narrowed

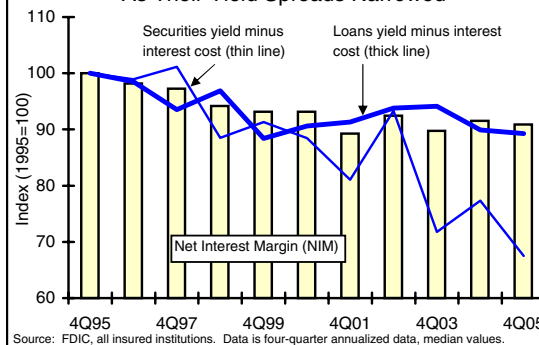
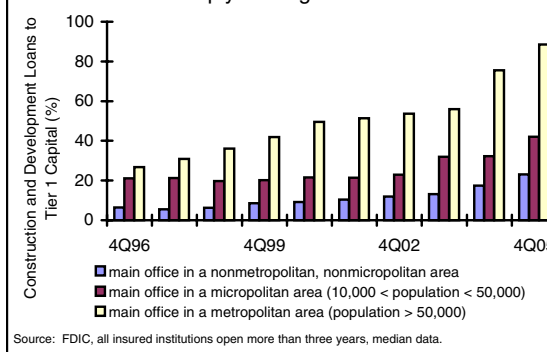


Chart 3: Construction Loan Concentrations Have Increased Sharply Among Missouri Institutions



¹NASS, USDA, *Agricultural Prices*, February 28, 2006.

²Office of Electricity Delivery and Energy Reliability (OE), U.S. Department of Energy, *Final Gulf Coast Hurricanes Situation Report (#46)*, January 26, 2006.

Missouri at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.0%	1.7%	1.1%	0.5%	-0.7%
Manufacturing (11%)	-1.5%	-1.5%	-0.7%	-1.1%	-3.4%
Other (non-manufacturing) Goods-Producing (5%)	2.5%	2.7%	2.3%	2.4%	-0.9%
Private Service-Producing (68%)	1.6%	2.3%	1.6%	0.9%	-0.4%
Government (16%)	-0.5%	1.2%	0.2%	-0.6%	0.3%
Unemployment Rate (% of labor force)	5.2	5.2	5.9	5.8	5.6
Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	5.7%	6.8%	5.2%	3.7%
Single-Family Home Permits	-2.6%	-3.1%	6.3%	9.0%	7.7%
Multifamily Building Permits	5.6%	-0.8%	10.5%	1.6%	-24.3%
Existing Home Sales	0.1%	4.0%	0.9%	8.2%	13.8%
Home Price Index	7.1%	6.8%	6.8%	6.7%	4.6%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	11.94	9.68	6.18	6.49	6.57

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	373	372	373	373	377
Total Assets (in millions)	98,091	95,398	91,786	91,786	86,837
New Institutions (# < 3 years)	11	7	8	8	6
Subchapter S Institutions	101	102	99	99	87
Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.59	1.41	1.37	1.37	1.66
ALLL/Total Loans (median %)	1.20	1.19	1.19	1.19	1.20
ALLL/Noncurrent Loans (median multiple)	2.56	2.36	2.66	2.66	2.05
Net Loan Losses / Total Loans (median %)	0.07	0.03	0.09	0.09	0.12
Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	9.41	9.41	9.14	9.14	9.03
Return on Assets (median %)	0.94	1.08	0.96	1.03	1.06
Pretax Return on Assets (median %)	1.26	1.49	1.23	1.42	1.39
Net Interest Margin (median %)	4.07	4.03	4.09	4.01	3.93
Yield on Earning Assets (median %)	6.38	6.20	5.71	5.59	5.83
Cost of Funding Earning Assets (median %)	2.30	2.12	1.65	1.58	1.86
Provisions to Avg. Assets (median %)	0.12	0.10	0.11	0.13	0.14
Noninterest Income to Avg. Assets (median %)	0.62	0.66	0.62	0.64	0.64
Overhead to Avg. Assets (median %)	2.98	2.85	2.97	2.80	2.76
Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	72.3	72.7	70.4	70.4	68.5
Noncore Funding to Assets (median %)	18.6	19.3	16.5	16.5	15.6
Long-term Assets to Assets (median %, call filers)	7.8	7.8	9.0	9.0	11.0
Brokered Deposits (number of institutions)	99	95	85	85	64
Brokered Deposits to Assets (median % for those above)	3.7	3.1	2.7	2.7	1.8
Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	76.3	77.5	76.7	76.7	77.2
Commercial Real Estate	214.7	207.6	196.6	196.6	178.9
Construction & Development	47.4	46.6	37.2	37.2	32.5
Multifamily Residential Real Estate	3.6	3.7	2.8	2.8	2.8
Nonresidential Real Estate	145.4	139.1	131.5	131.5	130.0
Residential Real Estate	207.9	214.2	218.7	218.7	218.1
Consumer	41.9	42.9	45.4	45.4	51.4
Agriculture	75.1	73.2	77.3	77.3	72.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
St. Louis, MO-IL	138	48,005	< \$250 million	296 (79.4%)
Kansas City, MO-KS	152	32,593	\$250 million to \$1 billion	64 (17.2%)
Springfield, MO	42	6,651	\$1 billion to \$10 billion	12 (3.2%)
Jefferson City, MO	24	2,903	> \$10 billion	1 (0.3%)
Columbia, MO	20	2,198		